

STATE OF ALASKA

DEPT. OF ENVIRONMENTAL CONSERVATION

DIVISION OF WATER

Wastewater Discharge Authorization Program

SEAN PARNELL, GOVERNOR

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June 7, 2010

Certified Mail 7008-1830-0003-5208-2151

Mr. John Hellen
Pioneer Natural Resources Alaska, Inc.
700 G Street, Suite 600
Anchorage, AK 99501

Subject: Cook Inlet, PNRA, Inc., Dredge
Reference No. POA-2008-1440
State ID No. AK0912-01OG

Dear Mr. Hellen:

In accordance with Section 401 of the Federal Clean Water Act of 1977 and provisions of the Alaska Water Quality Standards, the Department of Environmental Conservation is issuing the enclosed Certificate of Reasonable Assurance to dredge the seafloor for the installation of a water intake structure.

Department of Environmental Conservation (DEC) regulations provide that any person who disagrees with this decision may request an informal review by the Division Director in accordance with 18 AAC 15.185 or an adjudicatory hearing in accordance with 18 AAC 15.195 – 18 AAC 15.340. Informal review requests must be delivered to the Director, Division of Water, 555 Cordova St., Anchorage, AK 99501, within 15 days of the permit decision. Visit <http://www.dec.state.ak.us/commish/ReviewGuidance.htm> for information on Administrative Appeals of Department decisions.

Adjudicatory hearing requests must be delivered to the Commissioner of the Department of Environmental Conservation, 410 Willoughby Avenue, Suite 303, PO Box 111800, Juneau, AK 99811-1800, within 30 days of the permit decision. If a hearing is not requested within 30 days, the right to appeal is waived.

By copy of this letter we are advising the Corps of Engineers and Division of Coastal and Oceans Management of our actions and enclosing a copy of the certification for their use.

Sincerely,


Sharon R. Morgan
Environmental Program Manager

Enclosure

cc: (with encl.)
Jen Martin, USACE, Anchorage
Phil North, EPA, AK Operations

Sean Palmer, ADEC Anchorage
Ginny Litchfield, ADF&G/Habitat, Kenai
Ann Rappoport, USF&WS, Anchorage

STATE OF ALASKA
DEPARTMENT OF ENVIRONMENTAL CONSERVATION
CERTIFICATE OF REASONABLE ASSURANCE

A Certificate of Reasonable Assurance, in accordance with Section 401 of the Federal Clean Water Act and the Alaska Water Quality Standards, is issued to Pioneer Natural Resources Alaska, 700 G Street, Suite 600, Anchorage, Alaska 99501, to conduct dredging activities for the installation of a water intake structure. The applicant proposes to impact 0.06 acre (2,660 square feet) of seafloor, 2,300 feet offshore, by dredging a 70-foot long, 38-foot wide, by 5-foot deep area with a clam shell. The applicant also proposes to sidecast 150 cubic yards (CY) of dredged material, and anticipates the sidecast material would be naturally dispersed within two tidal cycles, resulting in no change in preconstruction contours. The intake structure would be installed at, or just below, grade (-51 feet at MHW, -7 feet at HTL) and covered with 150 CY of 2-9 inch ballast rock and concrete block articulated mat.

A 3,400 linear foot (lf) 12-inch water line would be directionally drilled from upland areas, under Cook Inlet, to the location of the intake structure (2,300 lf under waters of the U.S.). The water line would be kept to an average depth of 107 feet (with a minimum depth of 80-foot) below the seafloor until exit.

The proposed activity is located within Section 2, T. 4 S., R. 15 W., Seward Meridian near Anchor Point, Alaska.

Public notice of the application for this certification was given as required by 18 AAC 15.180.

Water Quality Certification is required under Section 401 because the proposed activity will be authorized by a Corps of Engineers permit, reference number POA-2008-1440, and a discharge may result from the proposed activity.

Having reviewed the application and comments received in response to the public notice, the Alaska Department of Environmental Conservation certifies that there is reasonable assurance that the proposed activity, as well as any discharge which may result, will comply with applicable provisions of Section 401 of the Clean Water Act and the Alaska Water Quality Standards, 18 AAC 70, provided that the following alternative measures are adhered to.

1. Reasonable precautions and controls must be used to prevent incidental and accidental discharge of petroleum products or other hazardous substances. Fuel storage and handling activities for equipment must be sited and conducted so there is no petroleum contamination of the ground, surface runoff or water bodies.

2. During construction, spill response equipment and supplies such as sorbent pads shall be available and used immediately to contain and cleanup oil, fuel, hydraulic fluid, antifreeze or other pollutant spills. For any spill amount, there are Discharge Notification and Reporting Requirements (AS 46.03.755 and 18 AAC 75 Article 3). Most importantly, contact by phone the ADEC Area Response Team for Central Alaska, (907) 269-3063 during work hours or 1-800-478-9300 after hours. Also contact by phone the National Response Center at 1-800-424-8802. Report all spills.
3. During dredging operations the construction equipment shall not be operated below the ordinary high water mark if equipment is leaking fuel, oil, hydraulic fluid, or any other hazardous material. Equipment shall be inspected on a daily basis for leaks. If leaks are found the equipment shall not be used and pulled from service until the leak is repaired.

This certification expires five (5) years after the date the certification is signed. If your project is not completed by then and work under Corps of Engineers Permit will continue, you must submit an application for renewal of this certification no later than 30 days before the expiration date (18 AAC 15.100).

Date 6/8/2010


Sharon R. Morgan
Environmental Program Manager



US Army Corps
of Engineers
Alaska District

Public Notice of Application for Permit

Regulatory Division (1145)
CEPOA-RD
805 Frontage Road, Suite 200C
Kenai, Alaska 99611-7755

PUBLIC NOTICE DATE: March 26, 2010

EXPIRATION DATE: April 26, 2010

REFERENCE NUMBER: POA-2008-1440

WATERWAY: Cook Inlet

Interested parties are hereby notified that a Department of the Army permit application has been received for work in waters of the United States as described below and shown on the enclosed project drawings.

Comments on the described work, with the reference number, should reach this office no later than the expiration date of this Public Notice to become part of the record and be considered in the decision. Please contact Jen Martin at (907) 283-3519, by fax at (907) 283-3981, or by email at jen.l.martin@usace.army.mil if further information is desired concerning this notice.

APPLICANT: Pioneer Natural Resources Alaska, Inc., Mr. John Hellén, 700 G Street, Suite 600, Anchorage, AK 99501; 907-343-2102.

LOCATION: The project site is located at Mile 151.5 of the Sterling Highway within Section 2, T. 4 S., R. 15 W., Seward Meridian; USGS Quad Map Seldovia D-5; Cosmopolitan oil development project; Latitude 59.8590°N., Longitude 151.8203°W.; 5.5 miles north of Anchor Point, Alaska.

PURPOSE: The applicant's stated purpose is to provide a water source for subsurface injection to maintain oil reservoir pressure and enhance recovery.

PROPOSED WORK: The applicant proposes to impact 0.06 acre (2,660ft²) of seafloor, 2,300 feet offshore, by dredging a 70-foot long, 38-foot wide, by 5-foot deep area with a clam shell for installation of a water intake structure. The applicant proposes to sidecast 150 cubic yards (cy) of dredged material, and anticipates the sidecast material would be naturally dispersed within two tidal cycles, resulting in no change in preconstruction contours. The intake structure would be installed at, or just below, grade (-51' at MHW, -57' at HTL; see sheet 5 of 5) and covered with 150 cy of 2-9 inch ballast rock and concrete block articulated mat. The structure consists of the intake device connected to a settling tank with manways to allow later cleanout of accumulated sediment. The intake structure would be equipped with a screen to prevent entrainment and entrapment of fish. The intake velocity is designed to be less than 0.5 feet per second, with screen openings of 1.75 millimeters. Intake and cleanout manways would penetrate the ballast mat, with the

rest of the structure below grade. The daily water draw capacity of the intake would be 420,000 gallons. A 3,400 linear foot (lf) 12-inch water line (see sheet 2 and 3 of 5) would be directionally drilled from upland areas, under Cook Inlet, to the location of the intake structure (2,300 lf under waters of the U.S.). The water line would be kept an average depth of 107 feet (with a minimum depth of 80-foot) below the seafloor until exit. There would be no direct impacts to the aquatic environment associated with the water line, however, the line would be regulated, as it passes beneath a navigable water of the U.S. The intake structure and water line would be installed between July 4, 2010 and September 15, 2010.

All work would be performed in accordance with the enclosed plan (sheets 1-5), dated November 12, 2009, January 22, 2010, and February 10, 2010.

ADDITIONAL INFORMATION: No surface or marine wastewater discharges are proposed. The production facility would be constructed in uplands, therefore, no DA authorization is required for the remainder of the Cosmopolitan project.

APPLICANT PROPOSED MITIGATION: The applicant proposes the following mitigation measures to avoid, minimize, and compensate for impacts to waters of the United States from activities involving discharges of dredged or fill material.

a. Avoidance: Impacts to waters of the U.S., including wetlands, were avoided by site selection and project design. Several intake designs were evaluated, included freshwater sources, a beach infiltration gallery, and a near-shore intake connected by a surface-laid pipe. The use of seawater avoids impacts to freshwater alternatives, which would have required an intake in an anadromous stream or the use of relatively scarce groundwater. Placing the intake farther off-shore and connecting to shore with a subsurface pipe installed using horizontal directional drilling (HDD) was selected to avoid impacts to the intertidal zone and minimize the overall footprint.

b. Minimization: As discussed above, selection of an HDD-installed connection to an off-shore intake results in minimization of impacts to waters of the U.S. by reducing the footprint associated with design alternatives. The intake structure has also been designed with the minimum size needed for proper function. Removal of native dredge material to a barge was considered, however, this alternative would result in turbidity plumes throughout the water column. Natural tidal actions would disperse dredge material within the immediate vicinity within two tidal cycles, with no change in pre-construction contours.

c. Compensatory Mitigation: Due to the small potential impact of the proposed project, no compensatory mitigation is proposed.

WATER QUALITY CERTIFICATION: A permit for the described work will not be issued until a certification or waiver of certification, as required under Section 401 of the Clean Water Act (Public Law 95-217), has been received from the Alaska Department of Environmental Conservation.

COASTAL ZONE MANAGEMENT ACT CERTIFICATION: Section 307(c)(3) of the Coastal Zone, Management Act of 1972, as amended by 16 U.S.C. 1456(c)(3), requires the applicant to certify the described activity affecting land or water uses in the Coastal Zone complies with the Alaska Coastal Management Program. A permit will not be issued until the Division of Coastal and Ocean Management, Department of Natural Resources has concurred with the applicant's certification.

CULTURAL RESOURCES: The latest published version of the Alaska Heritage Resources Survey (AHRS) has been consulted for the presence or absence of historic properties, including those listed in or eligible for inclusion in the National Register of Historic Places. There are no listed or eligible properties in the

vicinity of the worksite. Consultation of the AHRS constitutes the extent of cultural resource investigations by the District Commander at this time, and he is otherwise unaware of the presence of such resources. This application is being coordinated with the State Historic Preservation Office (SHPO). Any comments SHPO may have concerning presently unknown archeological or historic data that may be lost or destroyed by work under the requested permit will be considered in our final assessment of the described work.

ENDANGERED SPECIES: The project area is within the known or historic range of the Cook Inlet Beluga Whale (*Delphinapterus leucas*) and the Steller's eider (*Polysticta stelleri*).

Preliminarily, we have determined the described activity would have no effect on the Steller's eider, may affect but is not likely to adversely affect the Cook Inlet Beluga Whale, and would have no effect on any designated or proposed critical habitat, under the Endangered Species Act of 1973 (87 Stat. 844). This application is being coordinated with the U.S. Fish and Wildlife Service and the National Marine Fisheries Service (NMFS). Any comments they may have concerning endangered or threatened wildlife or plants or their critical habitat will be considered in our final assessment of the described work.

ESSENTIAL FISH HABITAT: The Magnuson-Stevens Fishery Conservation and Management Act, as amended by the Sustainable Fisheries Act of 1996, requires all Federal agencies to consult with the NMFS on all actions, or proposed actions, permitted, funded, or undertaken by the agency, that may adversely affect Essential Fish Habitat (EFH).

The project area is within the known range of the chinook salmon (*Oncorhynchus tshawytscha*), chum salmon (*O. keta*), coho salmon (*O. kisutch*), pink salmon (*O. gorbuscha*), sockeye salmon (*O. nerka*), and skates.

Preliminarily, we have determined the described activity would not adversely affect EFH in the project area. This Public Notice initiates EFH consultation with the NMFS. Any comments or recommendations they may have concerning EFH will be considered in our final assessment of the described work.

TRIBAL CONSULTATION: The Alaska District fully supports tribal self-governance and government-to-government relations between Federally recognized Tribes and the Federal government. Tribes with protected rights or resources that could be significantly affected by a proposed Federal action (e.g., a permit decision) have the right to consult with the Alaska District on a government-to-government basis. Views of each Tribe regarding protected rights and resources will be accorded due consideration in this process. This Public Notice serves as notification to the Tribes within the area potentially affected by the proposed work and invites their participation in the Federal decision-making process regarding the protected Tribal right or resource. Consultation may be initiated by the affected Tribe upon written request to the District Commander during the public comment period.

PUBLIC HEARING: Any person may request, in writing, within the comment period specified in this notice, that a public hearing be held to consider this application. Requests for public hearings shall state, with particularity, reasons for holding a public hearing.

EVALUATION: The decision whether to issue a permit will be based on an evaluation of the probable impacts including cumulative impacts of the proposed activity and its intended use on the public interest. Evaluation of the probable impacts, which the proposed activity may have on the public interest, requires a careful weighing of all the factors that become relevant in each particular case. The benefits, which reasonably may be expected to accrue from the proposal, must be balanced

against its reasonably foreseeable detriments. The outcome of the general balancing process would determine whether to authorize a proposal, and if so, the conditions under which it will be allowed to occur. The decision should reflect the national concern for both protection and utilization of important resources. All factors, which may be relevant to the proposal, must be considered including the cumulative effects thereof. Among those are conservation, economics, aesthetics, general environmental concerns, wetlands, cultural values, fish and wildlife values, flood hazards, floodplain values, land use, navigation, shore erosion and accretion, recreation, water supply and conservation, water quality, energy needs, safety, food and fiber production, mineral needs, considerations of property ownership, and, in general, the needs and welfare of the people. For activities involving 404 discharges, a permit will be denied if the discharge that would be authorized by such permit would not comply with the Environmental Protection Agency's 404(b)(1) guidelines. Subject to the preceding sentence and any other applicable guidelines or criteria (see Sections 320.2 and 320.3), a permit will be granted unless the District Commander determines that it would be contrary to the public interest.

The Corps of Engineers is soliciting comments from the public; Federal, State, and local agencies and officials; Indian Tribes; and other interested parties in order to consider and evaluate the impacts of this proposed activity. Any comments received will be considered by the Corps of Engineers to determine whether to issue, modify, condition or deny a permit for this proposal. To make this decision, comments are used to assess impacts on endangered species, historic properties, water quality, general environmental effects, and the other public interest factors listed above. Comments are used in the preparation of an Environmental Assessment and/or an Environmental Impact Statement pursuant to the National Environmental Policy Act. Comments are also used to determine the need for a public hearing and to determine the overall public interest of the proposed activity.

AUTHORITY: This permit will be issued or denied under the following authorities:

(X) Perform work in or affecting navigable waters of the United States - Section 10 Rivers and Harbors Act 1899 (33 U.S.C. 403).

(X) Discharge dredged or fill material into waters of the United States - Section 404 Clean Water Act (33 U.S.C. 1344). Therefore, our public interest review will consider the guidelines set forth under Section 404(b) of the Clean Water Act (40 CFR 230).

Project drawings, Notice of Application for Certification of Consistency with the Alaska Coastal Management Program, and Notice of Application for State Water Quality Certification are enclosed with this Public Notice.

District Commander
U.S. Army, Corps of Engineers

Enclosures

STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES DIVISION OF COASTAL AND OCEAN MANAGEMENT

DIVISION OF COASTAL AND OCEAN MANAGEMENT
550 WEST 7TH AVENUE, SUITE 705
ANCHORAGE, ALASKA 99501-3559
PHONE: (907) 269-7470/FAX: (907) 269-3981

NOTICE OF APPLICATION FOR CERTIFICATION OF CONSISTENCY WITH THE ALASKA COASTAL MANAGEMENT PROGRAM

Notice is hereby given that a request is being filed with the Division of Coastal and Ocean Management for a consistency determination, as provided in Section 307(c)(3) of the Coastal Zone Management Act of 1972, as amended [16 U.S.C. 1456(c)(3)], that the project described in the Corps of Engineers Public Notice No. POA-2008-1440, Cook Inlet, will comply with the Alaska Coastal Management Program and that the project will be conducted in a manner consistent with that program.

This project is being reviewed for consistency with the Alaska Coastal Management Program. Written comments about the consistency of the project with the applicable ACMP statewide standards and district policies must be submitted to the Division of Coastal and Ocean Management (DCOM). For information about this consistency review, contact DCOM at the address or phone number above, or visit the ACMP web site at <http://www.alaskacoast.state.ak.us//Projects/projects.html>.

STATE OF ALASKA

DEPT. OF ENVIRONMENTAL CONSERVATION
DIVISION OF WATER
401 Certification Program
Non-Point Source Water Pollution Control Program

DEPARTMENT OF ENVIRONMENTAL CONSERVATION
WQM/401 CERTIFICATION
555 CORDOVA STREET
ANCHORAGE, ALASKA 99501-2617
PHONE: (907) 269-7564/FAX: (907) 334-2415

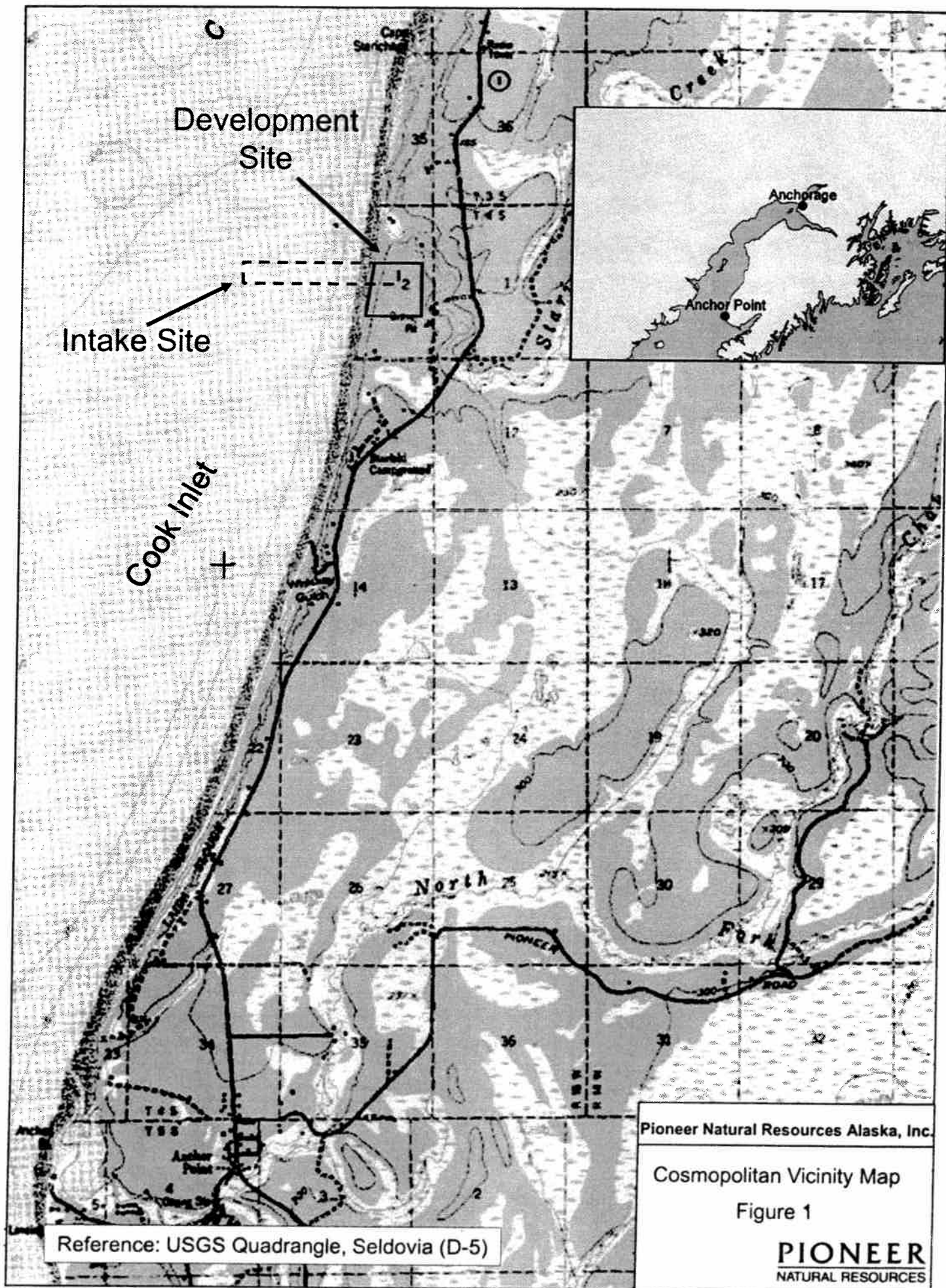
**NOTICE OF APPLICATION
FOR
STATE WATER QUALITY CERTIFICATION**

Any applicant for a federal license or permit to conduct an activity that might result in a discharge into navigable waters, in accordance with Section 401 of the Clean Water Act of 1977 (PL95-217), also must apply for and obtain certification from the Alaska Department of Environmental Conservation that the discharge will comply with the Clean Water Act, the Alaska Water Quality Standards, and other applicable State laws. By agreement between the U.S. Army Corps of Engineers and the Department of Environmental Conservation, application for a Department of the Army permit to discharge dredged or fill material into navigable waters under Section 404 of the Clean Water Act also may serve as application for State Water Quality Certification.

Notice is hereby given that the application for a Department of the Army Permit described in the Corps of Engineers' Public Notice No. **POA-2008-1440, Cook Inlet**, serves as application for State Water Quality Certification from the Department of Environmental Conservation.

After reviewing the application, the Department may certify there is reasonable assurance the activity, and any discharge that might result, will comply with the Clean Water Act, the Alaska Water Quality Standards, and other applicable State laws. The Department also may deny or waive certification.

Any person desiring to comment on the project, with respect to Water Quality Certification, may submit written comments to the address above by the expiration date of the Corps of Engineer's Public Notice.

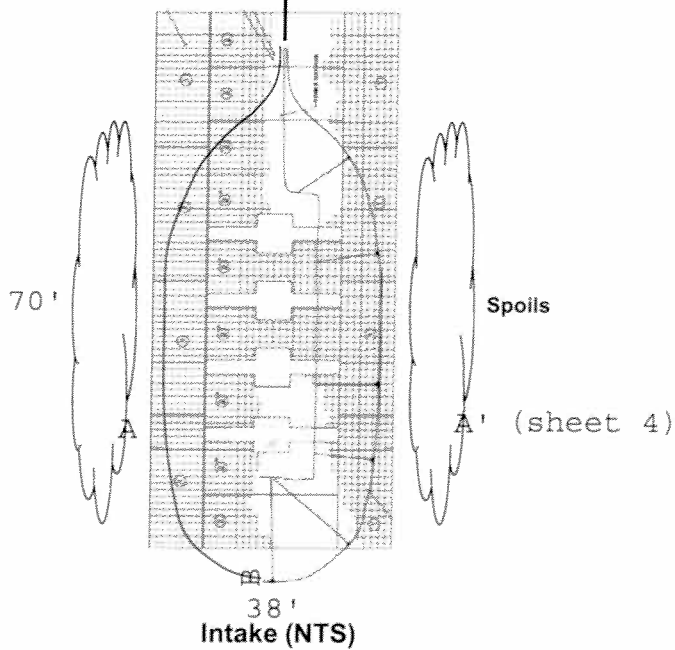


Intake HDD
Entry Point

EHW 23.7'
MHW 17.6'



3400' (2,300 lf beneath waters of the U.S.)
B' (sheet 5)

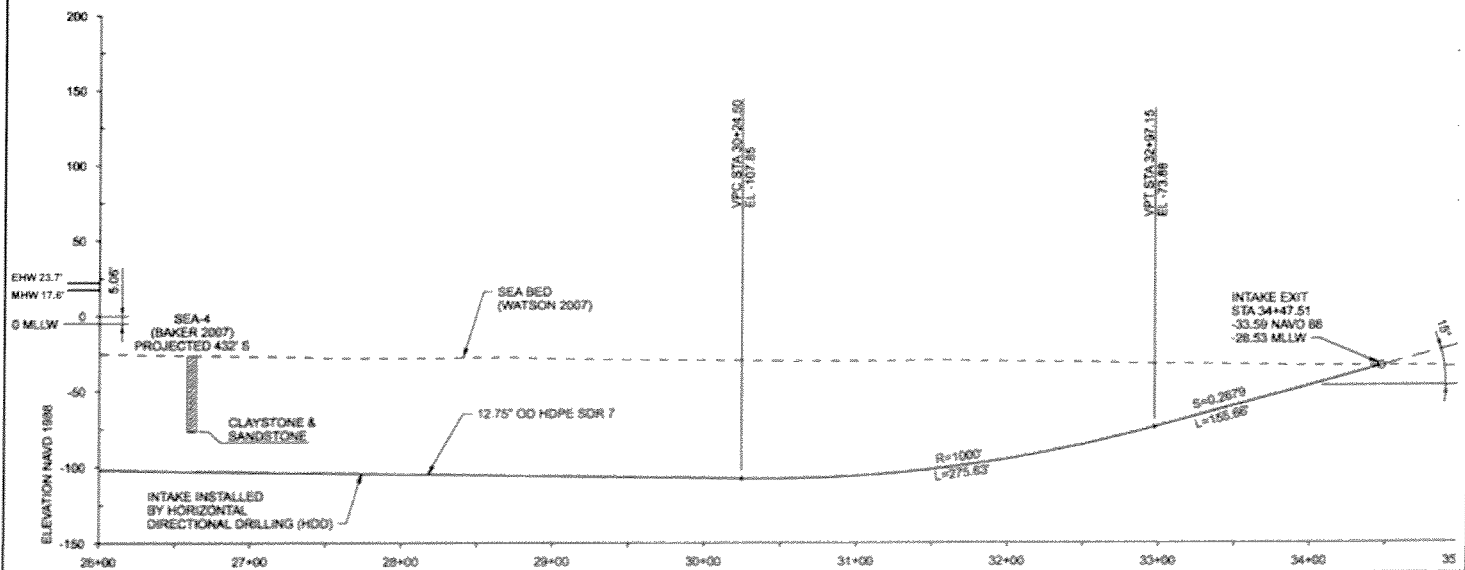
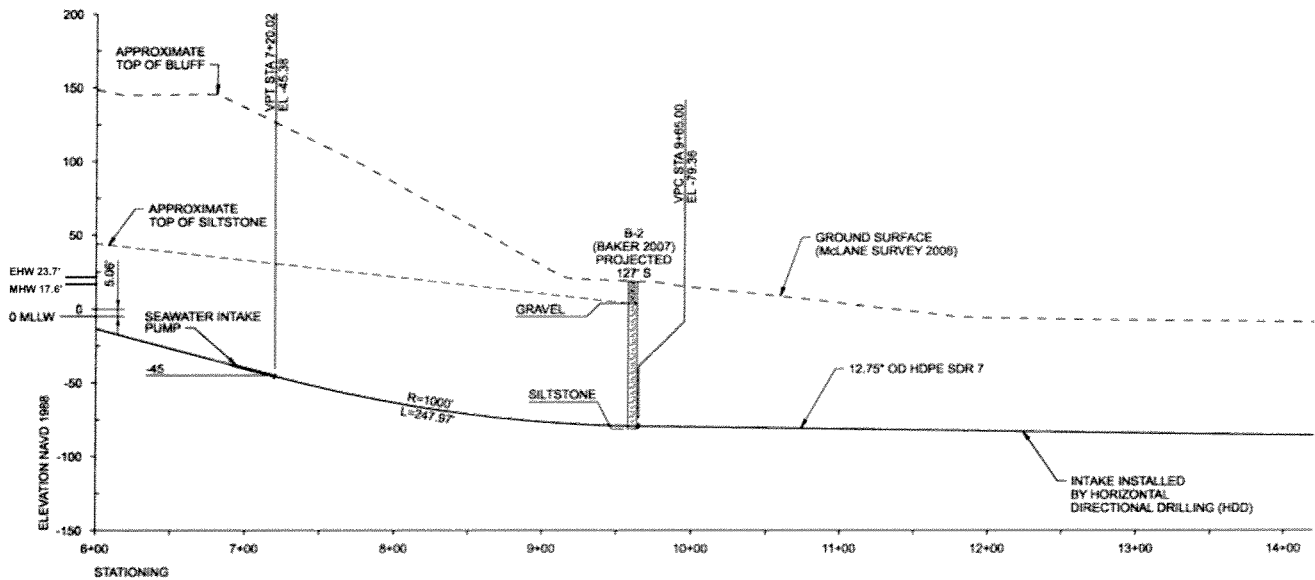
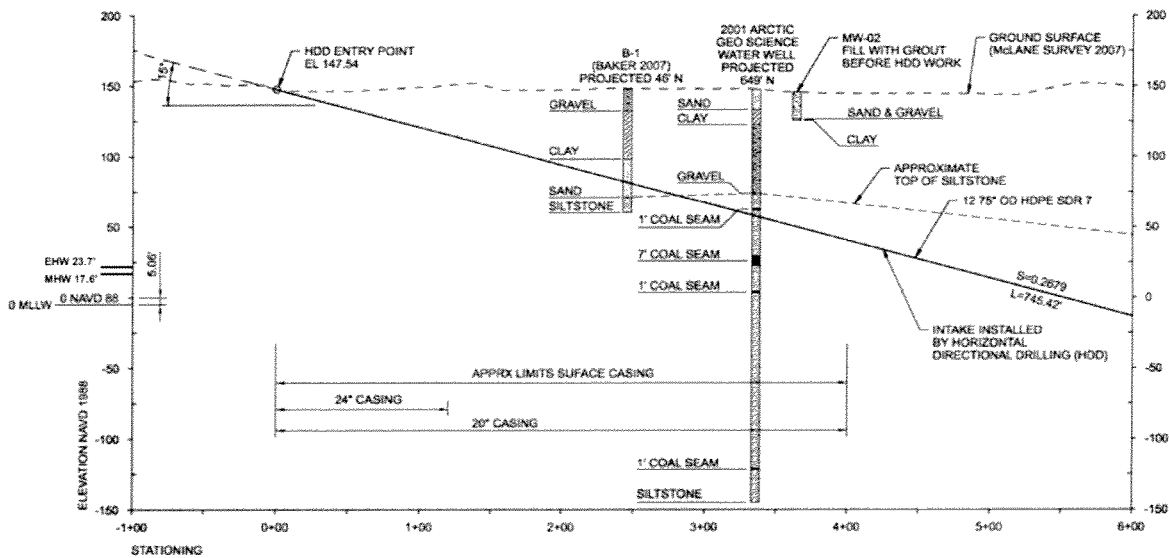


Pioneer Natural Resources Alaska, Inc.

Cosmopolitan Seawater
Intake Plan View

Figure 2

PIONEER
NATURAL RESOURCES ALASKA

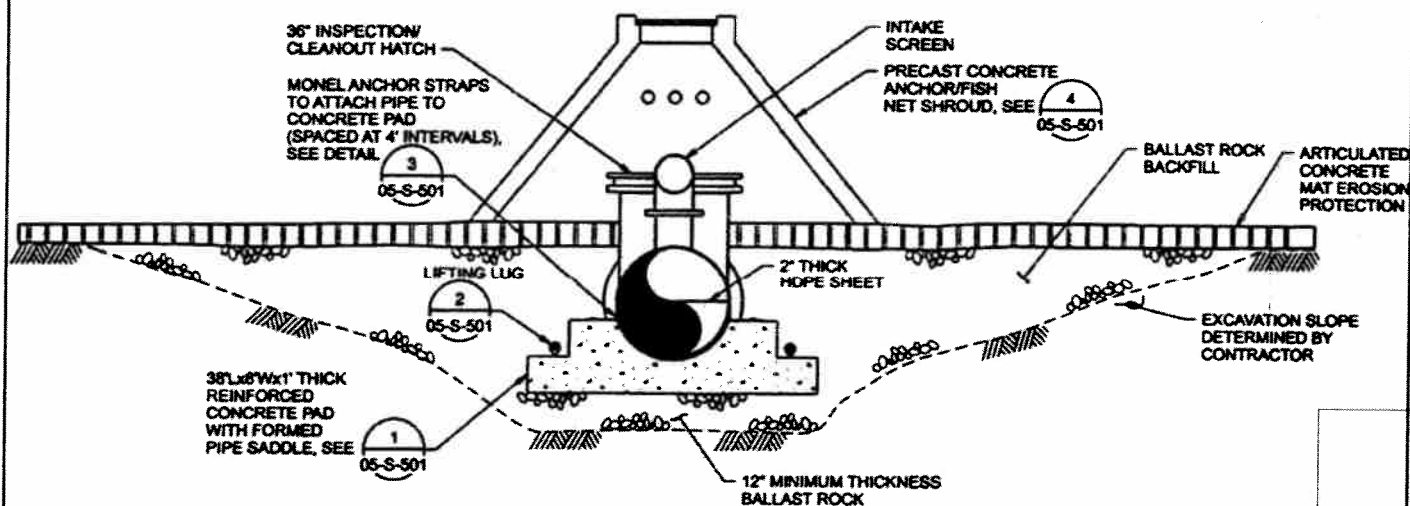


Pioneer Natural Resources Alaska, Inc.

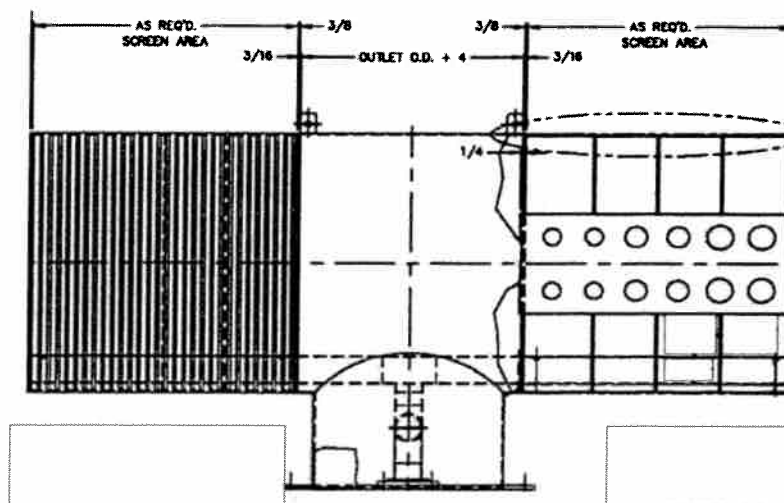
Cosmopolitan Seawater
Intake Profile

Figure 3

PIONEER
NATURAL RESOURCES ALASKA



A SECTION
3/8"=1'-0"



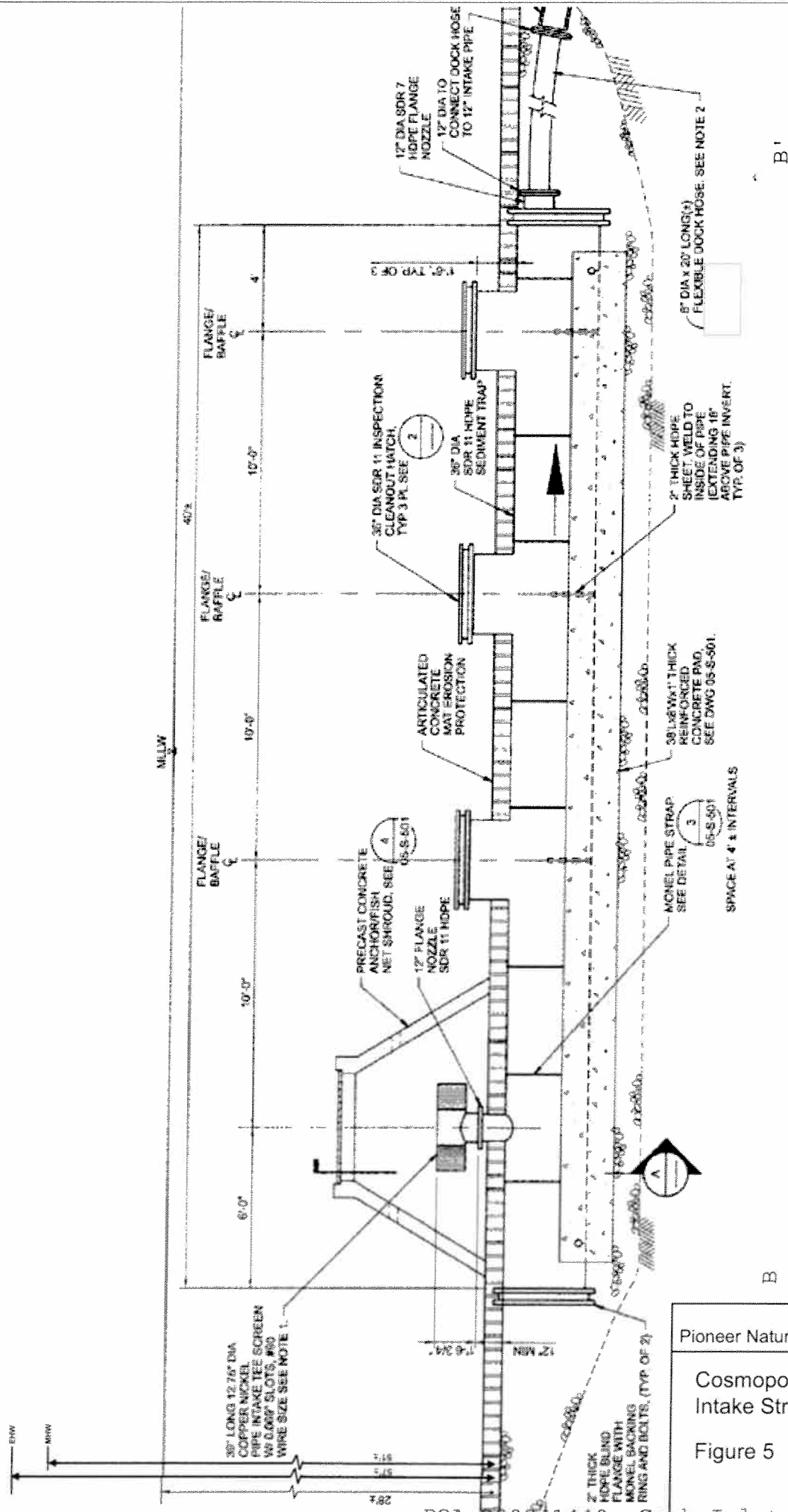
Intake Screen

Pioneer Natural Resources Alaska, Inc.

Cosmopolitan Seawater
Intake Structure End View

Figure 4

PIONEER
NATURAL RESOURCES ALASKA



Pioneer Natural Resources Alaska, Inc.

Cosmopolitan Seawater
Intake Structure Side View

Figure 5

PIONEER
NATURAL RESOURCES ALASKA